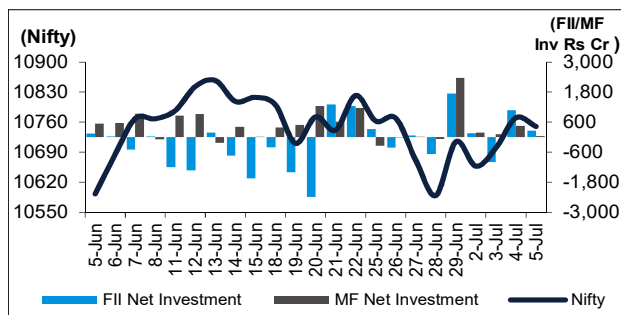


## DOMESTIC EQUITY

- Indian equity indices ended in the green, reversing the previous week's negative trend. Benchmarks S&P BSE Sensex and Nifty 50 gained 0.7% and 0.5%, respectively.
- Market was mainly buoyed by buying in shares of some index heavyweights.
- Sentiments were boosted further after data showed that India's manufacturing conditions improved strongly in June 2018.
- However, gains were trimmed on tracking weak global cues in the form of US-China trade tensions.
- The rupee's weakness against the greenback also weighed on the market.
- A sell-off in metal firms amid falling metal prices affected the benchmarks further.
- Selling pressure in consumer durables, power and realty counters chipped off some gains from the market.

Broad Indices	Week change%	3 month change%	1 year change%
S&P BSE Sensex	0.66	6.04	13.67
Nifty 50	0.54	4.27	11.35
S&P BSE Midcap	-0.38	-7.26	2.97
S&P BSE Smallcap	0.17	-10.19	1.71
S&P BSE Bankex	0.45	5.48	10.61
S&P BSE CG	0.21	-6.78	1.52
S&P BSE FMCG	1.34	7.69	5.95
S&P BSE IT	0.17	13.98	41.44
S&P BSE Healthcare	0.30	2.63	-1.35

Source: BSE, NSE



## GLOBAL EQUITY

- US benchmarks advanced primarily buoyed by gains in shares of financial and technology firms.
- Britain's FTSE index fell 0.4% on mounting worries about US-China trade tensions.
- Asian equities were affected the most. Japan's Nikkei dipped 2.3% due to a stronger yen and growing concerns about trade tensions between US and China.
- Hong Kong's Hang Seng index lost 2.2% as investors continued to worry about US-China trade tensions.
- China's Shanghai Composite (worst performer) plunged 3.5% owing to the country's escalating trade tensions with the US and as a falling yuan raised concerns about the domestic economy.

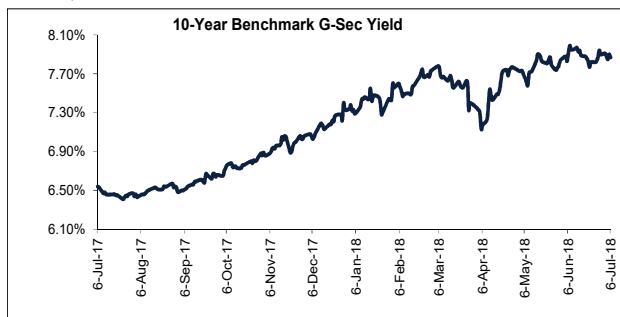
## DOMESTIC DEBT

Indicators	July 6, 2018	Previous Week	Trend
Call Rate	6.25%	6.30%	↓
3 M CP	7.85%	7.60%	↑
1 Yr CP	8.57%	8.55%	↑
3 M CD	6.97%	6.80%	↑
1 Yr CD	8.05%	8.02%	↑
5 Yr AAA	8.66%	8.69%	↓
1 Yr G-Sec	7.24%	7.02%	↑
5 Yr G-Sec	8.04%	7.95%	↑
10 Yr G-Sec	7.87%	7.90%	↓
USD/INR	68.88	68.47	↑

Source: CRISIL Fixed Income Database, RBI

- Government bond prices ended higher after experiencing some volatility. The yield of the 10 year benchmark 7.17% 2028 paper settled at 7.87% on July 6, 2018 as against 7.90% on June 29, 2018.
- Prices took cues from movement in the rupee's exchange rate and crude oil prices through the week. While the rupee ended lower, crude oil prices cooled slightly.

- Intermittent short-covering and the Centre's nod for raising the minimum support prices of summer-sown crops for the 2018-19 season, provided bond prices support.
- The gilt market took comfort after Union Minister Rajnath Singh said in a press briefing that the increase in support prices should not push up domestic inflation.
- Prices fell on caution ahead of the release of the US Fed's meeting minutes. According to the minutes, US central bankers discussed whether recession lurked around the corner and remained concerned about the potential impact of global trade conflicts on the US economy.
- Sentiment was aided by firm demand seen for dated securities in the weekly gilt sale. In the auction, the Reserve Bank of India (RBI) sold the 6.65% 2020 paper, the 7.59% 2026 paper, the 6.57% 2033 paper, the 8.13% 2045 paper, and a floating rate bond maturing in 2031 for a notified Rs 12,000 crore.



Source: CRISIL Fixed Income Database

## GLOBAL DEBT

- US treasury prices ended higher in the week ended July 5, 2018 owing to weak domestic economic cues and persistent worries about US-China trade tensions.
- The yield on the 10-year benchmark bond fell to 2.84% on July 5, 2018 compared to 2.85% on June 28, 2018.
- Bond prices rose after domestic private employment according to Automatic Data Processing (ADP) unexpectedly fell in June 2018 and investors also remained wary ahead of the release of US monthly jobs data.
- More gains were seen after US consumers only modestly boosted their spending in May and fears of a full-blown global trade war between US and China raised concerns that it might affect global economic growth.
- Demand for the bonds were also bolstered after Eurozone manufacturing purchasing managers' index (PMI) fell to a one-and-a-half-year low of 54.9 in June 2018 from 55.5 in May 2018 and worries about the feasibility of German Chancellor Angela Merkel's coalition government boosted the safe-haven appeal of the US bonds.
- Further gains were however capped due to likelihood of the US interest rate hike and after US Institute for Supply Management (ISM) manufacturing index rose sharply to 60.2 in June 2018 compared to 58.7 in May 2018.

## DOMESTIC NEWS

- Goods & Services Tax (GST) revenue collections rose to Rs 95610 crore in June 2018, as against Rs 94016 crore in May 2018.
- India's Nikkei manufacturing PMI rose from 51.2 in May 2018 to 53.1 in June 2018, while services PMI rose from 49.6 in May 2018 to 52.6 in June 2018.
- Growth of eight infrastructure industries dropped to a 10-month low of 3.6% in May 2018 from 4.6% in April 2018.
- According to Department of Industrial Policy and Promotion data, foreign direct investment (FDI) into India in 2017-18 grew by 3% to \$44.85 billion.
- Prime Minister ruled out a single slab for the GST.
- India agreed to provide tariff concessions on 3,142 products to Asia Pacific Trade Agreement (APTA)

members, including Bangladesh and Sri Lanka, from July 1, 2018.

- Government kept the interest rates on small savings schemes unchanged for the July 2018 - September 2018 quarter.
- Government accepted a five-pronged strategy to resolve non-performing assets. It also rejected idea of setting up a bad bank.
- Government extended the deadline for Permanent Account Number (PAN)-Aadhaar linking to March 31, 2019.
- The Cabinet cleared an increase in the Minimum Support Price (MSP) for kharif crops for the 2018-19 season.
- Government extended its capital infusion scheme for regional rural banks to 2019-20.
- Government further deferred reverse charge mechanism under GST to September 30, 2018.
- Finance Ministry said the sale of fourth tranche of electoral bonds will take place from July 2-11, 2018.
- The Centre proposed to carve out and sell the subsidiaries of Air India first before putting the airline itself on sale.
- RBI said it will punish statutory auditors for lapses in conducting banks' statutory audit.
- RBI tightened rules on banks' statutory auditors saying it reserves the right to not approve appointments of such auditors for a specified period if their audit quality is not found satisfactory.
- Securities Exchange Board of India (Sebi) increased the overseas investment limit of alternative investment funds and venture capital funds to \$750 million from the current \$500 million.

- Sebi reviewed the mechanism of dividend adjustment for stock options and allowed alteration in strike price.
- According to Association of Mutual Funds in India (AMFI) data, mutual funds' asset base rose to Rs 23.40 lakh crore in the April 2018 - June 2018 quarter, up 28% from the previous quarter.
- Insolvency and Bankruptcy Board of India (IBBI) came out with a model timeline for the corporate insolvency resolution process (CIRP).

## GLOBAL NEWS

- US non-farm payrolls in June 2018 added 213,000 jobs compared to 244,000 jobs in May 2018; the unemployment rate rose to 4% in June 2018 from 3.8% in May 2018.
- US' Automatic Data Processing (ADP) job growth came in 177,000 in June 2018 compared to a revised 189,000 in May 2018.
- US Institute of Supply Management (ISM) manufacturing index rose to 60.2 in June 2018 from 58.7 in May 2018, while services index rose to 59.1 in June 2018 from 58.6 in May 2018.
- Eurozone annual inflation hit 2% in June 2018, up from 1.9% in May 2018.
- Eurozone manufacturing PMI fell to 54.9 in June 2018 from 55.5 in May 2018, while services PMI was 55.2 in June 2018 from 53.8 in May 2018.
- China's official PMI fell to 51.5 in June 2018, from 51.9 in May 2018, while services PMI rose to 55.0 in June 2018 from 54.9 in May 2018.
- Japan's manufacturing PMI rose to 53 in June 2018 from 52.8 in May 2018, while services PMI edged up to 51.4 in June 2018 from 51.0 in May 2018.

DAY	ECONOMIC EVENTS IN THE WEEK AHEAD
Monday, July 9, 2018	<ul style="list-style-type: none"> <li>• US Consumer Credit, May 2018</li> <li>• Eurozone Sentix Investor Confidence, July 2018</li> </ul>



	<ul style="list-style-type: none"> <li>China Consumer Prices, June 2018</li> </ul>
Tuesday, July 10, 2018	<ul style="list-style-type: none"> <li>Eurozone ZEW Survey (Economic Sentiment), July 2018</li> <li>UK Industrial Production, May 2018</li> <li>UK Merchandise Trade, May 2018</li> <li>UK NIESR GDP Estimate, June 2018</li> </ul>
Wednesday, July 11, 2018	<ul style="list-style-type: none"> <li>US Producer Prices, June 2018</li> <li>UK RICS House Price Balance, June 2018</li> </ul>
Thursday, July 12, 2018	<ul style="list-style-type: none"> <li>US Consumer Prices, June 2018</li> <li>Eurozone Industrial Production, May 2018</li> <li>India Consumer Prices, June 2018</li> </ul>
Friday, July 13, 2018	<ul style="list-style-type: none"> <li>US Import &amp; Export Prices, June 2018</li> <li>US' University of Michigan Consumer Sentiment Index, July 2018</li> <li>China Trade Balance, June 2018</li> </ul>

**Source: CRISIL**

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